

REPORT OF THE AUDITOR-GENERAL TO THE FREE STATE LEGISLATURE AND THE COUNCIL ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF THE MANTSOPA LOCAL MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2009

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I was engaged to audit the accompanying financial statements of the Mantsopa Local Municipality which comprise the statement of financial position as at 30 June 2009, the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages xx to xx.

The accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting determined by the National Treasury, as set out in accounting policy note 1 and in the manner required by the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Auditor-General's responsibility

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA) and section 126(3) of the MFMA, my responsibility is to express an opinion on these financial statements based on my audit in accordance with the International Standards on Auditing and *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*. Because of the matters discussed in the Basis for disclaimer of opinion paragraphs, however, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.
4. Paragraph 11 *et seq.* of the Statement of Generally Recognised Accounting Practice, GRAP 1 *Presentation of Financial Statements* requires that financial reporting by entities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget. As the budget reporting standard is not effective for this financial year, I have determined that my audit of any disclosures made by the Mantsopa Local Municipality in this respect will be limited to reporting on non-compliance with this disclosure requirement.

Basis for disclaimer of opinion

Accounting framework for the year ended 30 June 2009

5. The municipality converted to a new accounting framework (from IMFO to GRAP). The necessary conversions as prescribed by the new accounting framework and Directive 4 issued by the Accounting Standards Board during March 2009 were, however, not effected on the municipality's financial records and components in the financial statements.

Comparative balances

6. The municipality did not disclose comparative information in the financial statements as required by Directive 4. The statement in paragraph 1.4 of the *summary of significant accounting policies* to the financial statements was therefore not correctly stated.

Property, plant and equipment (assets)

7. Due to the matters listed below, I was unable to obtain sufficient appropriate audit evidence as to the completeness, existence, valuation, presentation and disclosure of, and the municipality's rights to, property, plant and equipment of R5 262 261, as disclosed in the statement of financial position and the related detailed disclosure in note 10 to the financial statements:

- The statement in paragraph 1.1 of the *summary of significant accounting policies* to the financial statements was not correctly stated. According to a letter received from the National Treasury, the municipality **did not** receive exemption from complying with GRAP 17 and prescribed compliance with Directive 4.
- Property, plant and equipment was not correctly accounted for in terms of the IMFO standards. With reference to note 10 to the financial statements, an amount of R262 937 611 for *capital redeemed and other capital receipts* was incorrectly deducted from the total fixed assets.
- Property, plant and equipment was not accounted for according to the transitional provisions as stated in Directive 4, resulting in property, plant and equipment not being disclosed at a provisional amount.
- No depreciation or impairment was calculated on property, plant and equipment for the year under review.
- Contrary to paragraph 2.2 of the accounting policy, no revaluation was carried out on the assets to determine the fair value of the assets that should have been brought into the financial statements at the beginning of the current financial year.
- Land of R2 600 800 could not be traced to the municipality's asset register.
- I was unable to verify the existence of items of property, plant and equipment of R27 430 859, as adequate descriptions, serial numbers and locations were not included in the fixed asset register regarding these items.

The municipality's records did not permit the performance of alternative audit procedures and due to the non-compliance with Directive 4, I was unable to perform all the procedures I considered necessary to obtain adequate audit evidence as to the existence, valuation, completeness, presentation and disclosure of, and the municipality's rights to, property, plant and equipment amounting to R5 262 261.

Trade and other receivables (debtors)

8. As a result of the audit matters detailed below, I was unable to obtain sufficient appropriate audit evidence as to the completeness, existence, valuation, presentation and disclosure of, and the municipality's rights to, trade receivables of R47 745 401 and other receivables of R12 614 101, as disclosed in the statement of financial position for the current financial year:

- I could not be supplied with sufficient and appropriate audit evidence that the municipality had assessed the recoverability of its consumer and other debtors in terms of the requirements of the South African Statement of Generally Accepted Accounting Practice, IAS 39 (AC 133) *Financial Instruments: Recognition and Measurement*. However, the municipality made a general provision for bad debts of R33 069 281, as disclosed in note 2 to the financial statements. As the relevant information was not available, I was not able to calculate what the impairment charge against consumer and other debtors and bad debts expense should have been if IAS 39 had been correctly applied.
- A difference of R114 897 630 was identified between the trade receivable listing (R28 997 059 credit balance) and the gross amount of trade receivables (R85 900 571)

as per note 2 to the financial statements. I could not be provided with sufficient supporting documentation relating to the existence and valuation of this difference. The municipality's financial systems did not permit the performance of alternative audit procedures. Consequently, I could not obtain adequate audit evidence as to the completeness, existence, valuation, presentation and disclosure of, and the municipality's rights to, trade receivables.

- In terms of paragraph 5.2.2 of the accounting policy, the impairment of trade and other receivables is determined by discounting expected future cash flows to their present value. The impairment of R5 085 889 as disclosed in note 2 to the financial statements was based on incorrect trade receivable account balances. No impairment was made on other receivable balances. The impairment was recalculated and reported to the municipality as R3 324 045. Receivables were therefore understated and expenditure was overstated by the difference of R1 761 844.
- Included in other receivables of R12 614 101 as per note 3 to the financial statements were account balances of R1 179 822 that had shown no or little movement since the previous financial year. The existence, rights to the outstanding amounts and the valuation of receivables as disclosed in the financial statements could consequently not be verified.
- Included in trade receivables of R47 745 401 as per note 2 to the financial statements were debtors accounts with credit balances of R125 550 784. I could not be provided with sufficient supporting documentation relating to the existence and valuation of these credit balances.
- A difference of R109 608 263 was identified between the summary of debtors by consumer classification (R23 707 692) and the gross amount of trade receivables (R85 900 571) as per note 2 to the financial statements. The provision for bad debts of R33 069 281 was also not included in the summary. I could not be provided with sufficient supporting documentation relating to the existence and valuation of this difference. The municipality's financial systems did not permit the performance of alternative audit procedures. Consequently, I could not obtain adequate audit evidence as to the completeness, existence, valuation, presentation and disclosure of, and the municipality's rights to, trade receivables.

Consumer deposits

9. Sufficient supporting documents could not be obtained for consumer deposits of R1 037 245 as disclosed in note 13 to the financial statements. Furthermore, consumer deposits amounting to R1 205 608 were written off to the accumulated surplus account without supporting documentation. The municipality's records did not permit the application of alternative audit procedures and I could consequently not obtain adequate audit evidence to confirm the existence and valuation of consumer deposits.

Investment property

10. The municipality did not separately account for investment properties of R1 446 000 as required by GRAP 16 *Investment Property*.

Bank overdraft

11. As a result of the audit matters detailed below, I was unable to obtain sufficient appropriate audit evidence as to the completeness and valuation of the bank overdraft with a carrying value of R5 387 524, as disclosed in the statement of financial position for the current and prior financial years:
 - With reference to paragraph 9 of the previous audit report, an unreconciled difference of R2 122 135 and unallocated deposits amounting to R3 241 298 were reported on

30 June 2008. In the absence of supporting documentation, it could not be determined if these differences had been corrected.

- Sufficient supporting documentation could not be obtained for reconciling items of R7 183 338 that were included in the year-end bank reconciliation. Consequently, I could not obtain adequate audit evidence as to the completeness and valuation of the disclosed cash and cash equivalents balance.
- A difference of R2 205 179 was identified between the cash book balance of the bank reconciliation and the amount disclosed in the financial statements. I could not obtain valid explanations relating to this difference. The municipality's financial systems did not permit the performance of alternative audit procedures. Consequently, I could not confirm the valuation of cash and cash equivalents.
- Included in the bank overdraft of R5 387 524 were uncleared suspense accounts with a net balance of R1 195 524. Due to the lack of adequate accounting records and in the absence of a conclusive reply from the municipality, it could not be determined whether the transactions had been properly accounted for in the general ledger and the financial statements.

Cash and cash equivalents

12. As a result of the audit matters detailed below, I was unable to obtain sufficient appropriate audit evidence as to the completeness and valuation of cash and cash equivalents with a carrying value of R705 848, as disclosed in the statement of financial position for the current and prior financial years:

- An amount of R1 570 599 as disclosed in the financial statements of Centlec was not included in the financial statements of the municipality, resulting in cash and cash equivalents being understated and receivables being overstated by this amount. It was also noted that different accounting standards were used, as the financial statements of the municipality were prepared according to the Standards of Generally Recognised Accounting Practice (GRAP) while the financial statements of Centlec were prepared according to the Code of Accounting Practice (1996) of the Institute of Municipal Finance Officers (IMFO).

Unspent government grants and subsidies

13. A difference of R4 407 978 relating to unspent conditional grants was identified between the amount disclosed of R5 634 219 and the recalculated amount of R10 042 188. Unspent conditional grants were therefore understated by R4 407 978.

Government grants and subsidies

14. Contrary to GAMAP 9 *Revenue*, the municipality accounted for income from government grants and subsidies of R5 142 969 that did not comply with the recognition criteria. Income from government grants and subsidies was therefore overstated by R5 142 969.

Expenditure

15. As a result of the audit matters detailed below, I was unable to obtain sufficient appropriate audit evidence as to the occurrence, classification and accuracy of expenditure of R109 328 504, as disclosed in the statement of financial performance for the current financial year:

- Redemption of external loans was incorrectly included in finance cost in the statement of financial performance, resulting in an overstatement of expenditure and external loans of R789 710.
- Sufficient supporting documentation could not be obtained for expenditure amounting to R7 453 129. Alternative audit procedures could not be performed to obtain adequate

audit evidence as to the classification, accuracy and occurrence of these expenditure transactions.

- The municipality did not account for items of property, plant and equipment of R24 355 985 in terms of GRAP 17 *Property, Plant and Equipment*. These items were expensed through the statement of financial performance, resulting in an overstatement of expenditure and an understatement of property, plant and equipment of R24 355 985.

Revenue

16. As a result of the audit matters detailed below, I was unable to obtain sufficient appropriate audit evidence as to the occurrence, completeness and accuracy of revenue of R127 821 787, as disclosed in the statement of financial performance for the current financial year:

- An amount of R1 906 880 as disclosed in the financial statements of Centlec was not included in the financial statements of the municipality, resulting in revenue and receivables being understated by this amount. It was also noted that different accounting standards were used, as the financial statements of the municipality were prepared according to GRAP while the financial statements of Centlec were prepared according to the Code of Accounting Practice (1996) of IMFO.
- Included in income from prepaid electricity sales of R3 343 224 (Centlec) was an estimated amount of R1 891 484 for which no information regarding the prepaid sales on the Nthlangani system could be submitted for audit purposes, placing a limitation on the scope of my audit. In the absence of these documents, there were no alternative procedures that I could perform to verify the accuracy, classification and occurrence of income from the sale of prepaid electricity.

Accumulated surplus

17. As a result of the audit matters detailed below, I was unable to obtain sufficient appropriate audit evidence as to the completeness, existence, valuation, presentation and disclosure of, and the municipality's rights to, the accumulated surplus with a carrying value of R46 231 025, as disclosed in the statement of financial position for the current financial year:

- As a result of the implementation of the new accounting framework (GRAP), statutory funds amounting to R10 829 621, previously required by IMFO, were not transferred to the accumulated surplus. Furthermore, the funds were incorrectly transferred to the provision for bad debts. No disclosure in this regard was made in the financial statements of the municipality.
- Sufficient supporting documentation relating to journals of R6 862 237 could not be obtained. The municipality's records did not permit the performance of alternative audit procedures. Consequently, the occurrence, accuracy and classification of these journals could not be confirmed.

Trade and other payables (creditors)

18. Sufficient supporting documentation could not be obtained for a suspense account balance amounting to R1 482 297 included in trade and other payables. Alternative audit procedures could not be performed to obtain adequate audit evidence to substantiate this balance. Consequently, I could not verify the existence, the municipality's obligation and the valuation of this suspense account included in trade and other payables.

Value-added tax (VAT)

19. No reconciliation between the VAT control account and the VAT returns at year-end was performed by the municipality, resulting in a difference of R3 807 525 that could not be explained.

Cash flow statement

20. I was unable to obtain adequate audit evidence as to whether the cash flow statement and the related notes for the current and prior financial years were fairly stated, due to the material effect of scope limitations and identified misstatements reported in this report. Furthermore, supporting documentation could not be obtained for *contributions expenditure income* amounting to R3 804 347 in the cash flow statement. Alternative audit procedures could not be performed to obtain adequate audit evidence.

Commitments

21. Paragraph .83(c) of GRAP 17 states that the financial statements shall also disclose for each class of property, plant and equipment recognised in the financial statements, the amount of contractual commitments for the acquisition of property, plant and equipment. With the evaluation of the financial statements it was noted that no commitments were disclosed in the financial statements, although contractual commitments of approximately R18 891 359 were identified at year-end.

Disclaimer of opinion

22. Because of the significance of the matters described in the Basis for disclaimer of opinion paragraphs, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on the financial statements.

Emphasis of matters

I draw attention to the following matters on which I do not express a disclaimer of opinion:

Irregular expenditure

23. With reference to note 26 to the financial statements, transactions relating to the Trans Mohokare Sports, Arts and Cultural Festival amounting to R220 000 were included in transport and tourism expenditure. However, an amount of R140 000 was paid by the municipality into a bank account that was opened by two councillors. It was also indicated that the matter was reported to the South African Police Service. At the time of writing this report, the matter was still under investigation.

Non-compliance with applicable legislation

Municipal Finance Management Act

24. As disclosed in note 35 to the financial statements, fruitless expenditure of R19 338 was incurred due to interest paid on overdue accounts of service providers. Proof could not be obtained that an investigation had been conducted or steps taken to recover fruitless expenditure of R19 338 as required by section 32(2) of the MFMA.
25. Contrary to section 62(1)(a) and (d) of the MFMA, the municipality realised a loss in the distribution of electricity amounting to R4 277 990. No supporting documentation could be provided for audit purposes that distribution losses had been monitored on a monthly basis and that large variances had been investigated.

Income Tax Act

26. With the comparison of employees' remuneration per payslips and employees' tax certificates (IRP5s), an amount of R614 519 was identified of which the total remuneration according to the IRP5s was more than the total remuneration as recorded on the payslips.
27. Contrary to the method of calculation of tax to be deducted from each employee as prescribed in part 11, paragraph 9.1 of the fourth schedule to the Income Tax Act, 1962 (Act

No. 58 of 1962), a difference of R34 120 was identified where the tax liability as per the IRP5s was more than the recalculated tax liability of employees.

Internal control deficiencies

28. Section 62(1)(c)(i) of the MFMA states that the accounting officer must ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control. The table below depicts the root causes that gave rise to the deficiencies in the system of internal control, which led to the disclaimer of opinion. The root causes are categorised according to the five components of an effective system of internal control. In some instances deficiencies exist in more than one internal control component.

Par. no.	Basis for disclaimer of opinion	CE	RA	CA	IC	M
5	Accounting framework for the year ended 30 June 2009	1,5,7	2	4,5,6		1,2,3
6	Comparative balances	1,5,7	2	4,5,6	1	1,2,3
7	Property, plant and equipment	5,7	2	4,6	1	1
8	Trade and other receivables	5,7	2	4	1	1
9	Consumer deposits	5,7	2	3	1	1
10	Investment property	5,7	2	4		
11	Bank overdraft	5,7	2	4	1	1
12	Cash and cash equivalents	5,7	2	4	1	1
13	Unspent government grants and subsidies	5,7	2	4	1	
14	Government grants and subsidies	5,7	2	4	1	
15	Expenditure	5,7	2	4		1
16	Revenue	5,7	2	4	1	
17	Accumulated surplus	5,7	2	4,6		
18	Trade and other payables	5,7	2	4	1	1
19	Value-added tax	5,7	2	5	1	
20	Cash flow statement	5,7	2	4		
21	Commitments	5,7	2	4	1	

Overall reflections on the governance framework based on internal control deficiencies

29. Staff members in the finance unit and consultants that were engaged to compile the financial statements did not adhere to and apply the financial reporting framework and the municipality did not have adequate individuals competent in financial reporting and related matters.

30. The financial statements were not adequately reviewed by the audit committee and the chief financial officer before being submitted to the Auditor-General.

31. The work performed by consultants was not adequately monitored and supervised.

Legend:	
CE = Control environment	
The organisational structure does not address areas of responsibility and lines of reporting to support effective control over financial reporting.	1
Management and staff are not assigned appropriate levels of authority and responsibility to facilitate control over financial reporting.	2
Human resource policies do not facilitate effective recruitment and training, disciplining and supervision of personnel.	3
Integrity and ethical values have not been developed and are not understood to set the standard for financial reporting.	4
The accounting officer/accounting authority does not exercise oversight responsibility over financial reporting and internal control.	5
Management's philosophy and operating style do not promote effective control over financial reporting.	6
The entity does not have individuals competent in financial reporting and related matters.	7
RA = Risk assessment	
Management has not specified financial reporting objectives to enable the identification of risks to reliable financial reporting.	1
The entity does not identify risks to the achievement of financial reporting objectives.	2
The entity does not analyse the likelihood and impact of the risks identified.	3

The entity does not determine a risk strategy/action plan to manage identified risks.	4
The potential for material misstatement due to fraud is not considered.	5
GA – Control activities	
There is inadequate segregation of duties to prevent fraudulent data and asset misappropriation.	1
General information technology controls have not been designed to maintain the integrity of the information system and the security of the data.	2
Manual or automated controls are not designed to ensure that the transactions have occurred, are authorised, and are completely and accurately processed.	3
Actions are not taken to address risks to the achievement of financial reporting objectives.	4
Control activities are not selected and developed to mitigate risks over financial reporting.	5
Policies and procedures related to financial reporting are not established and communicated.	6
Realistic targets are not set for financial performance measures, which are in turn not linked to an effective reward system.	7
IC – Information and communication	
Pertinent information is not identified and captured in a form and time frame to support financial reporting.	1
Information required to implement internal control is not available to personnel to enable internal control responsibilities.	2
Communications do not enable and support the understanding and execution of internal control processes and responsibilities by personnel.	3
M – Monitoring	
Ongoing monitoring and supervision are not undertaken to enable an assessment of the effectiveness of internal control over financial reporting.	1
Neither reviews by internal audit or the audit committee nor self-assessments are evident.	2
Internal control deficiencies are not identified and communicated in a timely manner to allow for corrective action to be taken.	3

Key governance responsibilities

32. The MFMA tasks the accounting officer with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of key governance responsibilities, which I have assessed as follows:

No.	Matter	Y	N
Clear trail of supporting documentation that is easily available and provided in a timely manner			
1.	No significant difficulties were experienced during the audit concerning delays or the availability of requested information.		X
Quality of financial statements and related management information			
2.	The financial statements were not subject to any material amendments resulting from the audit.	X	
3.	The annual report was submitted for consideration prior to the tabling of the auditor's report.	X	
Timeliness of financial statements and management information			
4.	The annual financial statements were submitted for auditing as per the legislated deadlines (section 126 of the MFMA).	X	
Availability of key officials during audit			
5.	Key officials were available throughout the audit process.	X	
Development and compliance with risk management, effective internal control and governance practices			
6.	Audit committee		
	• The municipality had an audit committee in operation throughout the financial year.	X	
	• The audit committee operates in accordance with approved, written terms of reference.	X	
	• The audit committee substantially fulfilled its responsibilities for the year, as set out in section 166(2) of the MFMA.		X
7.	Internal audit		
	• The municipality had an internal audit function in operation throughout the financial year.	X	

No.	Matter	Y	N
	<ul style="list-style-type: none"> The internal audit function operates in terms of an approved internal audit plan. 	X	
	<ul style="list-style-type: none"> The internal audit function substantially fulfilled its responsibilities for the year, as set out in section 165(2) of the MFMA. 		X
8.	There are no significant deficiencies in the design and implementation of internal control in respect of financial and risk management.	X	
9.	There are no significant deficiencies in the design and implementation of internal control in respect of compliance with applicable laws and regulations.	X	
10.	The information systems were appropriate to facilitate the preparation of the financial statements.		X
11.	A risk assessment was conducted on a regular basis and a risk management strategy, which includes a fraud prevention plan, is documented and used as set out in section 62(c)(i) of the MFMA (not approved by the council at the time of the audit).		X
12.	Powers and duties have been assigned, as set out in section 79 of the MFMA.	X	
Follow-up of audit findings			
13.	The prior year audit findings have been substantially addressed.	X	
14.	Oversight resolutions have been substantially implemented.		X
Issues relating to the reporting of performance information			
15.	The information systems were appropriate to facilitate the preparation of a performance report that is accurate and complete.		X
16.	Adequate control processes and procedures are designed and implemented to ensure the accuracy and completeness of reported performance information.		X
17.	A strategic plan was prepared and approved for the financial year under review for purposes of monitoring the performance in relation to the budget and delivery by the municipality against its mandate, predetermined objectives, outputs, indicators and targets as per section 68 of the MFMA.		X
18.	There is a functioning performance management system and performance bonuses are only paid after proper assessment and approval by those charged with governance.		X

Overall reflections on the governance framework based on other key governance requirements

33. Significant difficulties were experienced due to the unavailability of requested supporting documentation and the unavailability of consultants during the audit.
34. Inadequate monitoring of the consultants during the financial system conversion process resulted in the financial systems and underlying financial data not being appropriate for the preparation of the financial statements in terms of the new reporting framework, i.e. GRAP.
35. Although a formal risk assessment had been done by consultants during the current and prior financial years, it was not approved by the council.
36. Not all the PROPAC resolutions adopted in the Free State Legislature had been implemented by the municipality during the financial year under review.
37. The internal controls regarding performance management were not effective, efficient and transparent to ensure that strategic objectives and targets were aligned to the priorities and that actual performance was accurately measured and reported on. Policies and procedures with regard to reporting performance against predetermined objectives had also not been established.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on performance information

38. I was engaged to review the performance information as set out on pages xx to xx.

Responsibility of the accounting officer for the performance information

39. In terms of section 121(3)(c) of the MFMA, the annual report of a municipality must include the annual performance report of the municipality, prepared by the municipality in terms of section 46 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA).

Responsibility of the Auditor-General

40. I conducted my engagement in accordance with section 13 of the PAA read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008* and section 45 of the MSA.

41. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate audit evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.

42. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the findings reported below.

Findings on performance information

Non-compliance with regulatory requirements

Inconsistently reported performance information

43. Contrary to section 26(c) of the MSA, the municipality did not report consistently on the key performance areas between the integrated development plan and the annual performance report.

Content of integrated development plan

44. The integrated development plan of the municipality did not include the key performance indicators and performance targets determined in terms of its performance management system, as required by sections 26(i) and 41(1)(b) of the MSA and regulation 12 of the Municipal Planning and Performance Management Regulations, 2001.

No financial plan included in integrated development plan

45. Contrary to section 26(h) of the MSA, the municipality did not include budget projections of at least the next three years in the integrated development plan.

Internal auditing of performance measurements

46. The internal auditors of the municipality did not audit the performance measurements on a continuous basis and did not submit quarterly reports on their audits to the municipal manager and the audit committee.

Objectives/indicators/targets reported in annual report, but not predetermined as per strategic/corporate/annual performance/integrated development plan and/or budget

47. Development objectives and priorities were reported in the annual performance report of the municipality, although they were not included as predetermined objectives and priorities in the annual budget of the municipality.

Usefulness and reliability of reported performance information

48. The following criteria were used to assess the usefulness and reliability of the information on the municipality's performance with respect to the objectives in its integrated development plan:

- Consistency: Has the municipality reported on its performance with regard to its objectives, indicators and targets in its approved integrated development plan?
- Relevance: Is the performance information as reflected in the indicators and targets clearly linked to the predetermined objectives and mandate. Is this specific and measurable, and is the time period or deadline for delivery specified?
- Reliability: Can the reported performance information be traced back to the source data or documentation and is the reported performance information accurate and complete in relation to the source data or documentation?

The following audit findings relate to the above criteria:

Incomplete reporting on performance information

49. The actual achievements with regard to the performance indicators and targets reported in the annual performance report of the municipality were only based on actual achievements of one quarter and not on the accumulated achievements for the year.
50. The municipality did not report on comparative results between the prior year and the current year in terms of section 46(1)(a) of the MSA.
51. Contrary to section 46(1)(c) of the MSA, the municipality did not prepare an annual performance report that reflected measures taken to improve performance.

APPRECIATION

52. The assistance rendered by the staff of the Mantsopa Local Municipality during the audit is sincerely appreciated.

Auditor-General

Bloemfontein

26 February 2010



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence